



Virginia  
Regulatory  
Town Hall

## Exempt Action Final Regulation Agency Background Document

<b>Agency Name:</b>	Dept. of Medical Assistance Services
<b>VAC Chapter Number:</b>	12 VAC 30, Chapter 70
<b>Regulation Title:</b>	Methods and Standards for Establishing Payment Rates— Inpatient Hospital Services
<b>Action Title:</b>	Adjustment of Payment Methodology Reduction
<b>Date:</b>	10/26/2003; NEED GOV APPROVAL BY 12/15/2003

Where an agency or regulation is exempt in part or in whole from the requirements of the Administrative Process Act (§ 9-6.14:1 *et seq.* of the *Code of Virginia*) (APA), the agency may provide information pertaining to the action to be included on the Regulatory Town Hall. The agency must still comply the requirements of the Virginia Register Act (§ 9-6.18 *et seq.* of the *Code of Virginia*) and file with the Registrar and publish their regulations in a style and format conforming with the *Virginia Register Form, Style and Procedure Manual*. The agency must also comply with Executive Order Fifty-Eight (99), which requires an assessment of the regulation's impact on the institution of the family and family stability.

This agency background document may be used for actions exempt pursuant to § 9-6.14:4.1(C) at the final stage. Note that agency actions exempt pursuant to § 9-6.14:4.1(C) of the APA do not require filing with the Registrar at the proposed stage.

In addition, agency actions exempt pursuant to § 9-6.14:4.1(B) of the APA are not subject to the requirements of the Virginia Register Act (§ 9-6.18 *et seq.* of the *Code of Virginia*) and therefore are not subject to publication. Please refer to the *Virginia Register Form, Style and Procedure Manual* for more information.

### Summary

*Please provide a brief summary of the proposed new regulation, amendments to an existing regulation, or the regulation being repealed. There is no need to state each provision or amendment or restate the purpose and intent of the regulation, instead give a summary of the regulatory action and alert the reader to all substantive matters or changes. If applicable, generally describe the existing regulation.*

This regulatory action proposes to adjust the previous hospital reimbursement amendment that was required by the *2002 Acts of Assembly*, Chapter 899, Item 325 KK, to preclude the recovery of moneys greater than permitted in the referenced statute. The 2002 amendment required that a specific amount of money be recovered from hospital reimbursement, not to exceed \$500,000

per hospital for each of the two state fiscal years of 2003 and 2004. That change, effected by applying specified percentages to hospitals reimbursement, permitted the adjustment of said percentages based on DMAS budget forecasts. With the examination of the 2004 Medicaid reimbursement estimates, the agency realized that the 2004 percentage would result in the recovery of funds in excess of the statutorily permitted maximum amount. Therefore, DMAS is modifying the referenced percentage for 2004 in order to comply with the specifics of the statute.

**Statement of Final Agency Action**

*Please provide a statement of the final action taken by the agency including the date the action was taken, the name of the agency taking the action, and the title of the regulation.*

I hereby approve the foregoing Regulatory Review Summary with the attached amended State Plan pages (12 VAC 30-70-201) and adopt the action stated therein. Because this final regulation is exempt from the public notice and comment requirements of the Administrative Process Act (Code § 2.2-4006), the Department of Medical Assistance Services will receive, consider and respond to petitions by any interested person at any time with respect to reconsideration or revision.

10/26/2003

/s/ P. W. Finnerty

Date

Patrick W. Finnerty, Director

Dept. of Medical Assistance Services

**Additional Information**

*Please indicate that the text of the proposed regulation, the reporting forms the agency intends to incorporate or use in administering the proposed regulation, a copy of any documents to be incorporated by reference are attached.*

*Please state that the Office of the Attorney General (OAG) has certified that the agency has the statutory authority to promulgate the proposed regulation and that it comports with applicable state and/or federal law. Note that the OAG's certification is not required for Marine Resources Commission regulations.*

*If the exemption claimed falls under § 9-6.14:4.1(C) (4)(c) of the APA please include the federal law or regulations being relied upon for the final agency action.*

The section of the State Plan for Medical Assistance that is affected by this action is Methods and Standards for Establishing Payment Rates—Inpatient Hospital Services (12 VAC 30-70-201).

In accordance with Title 42 §§ 447.250 through 447.252 of the Code of Federal Regulations which implements § 1902(a)(13)(A) of the Social Security Act, the Department of Medical Assistance Services (DMAS) establishes payment rates for services that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated facilities to provide services in conformity with state and federal laws, regulations, and quality and safety standards. The 2002 General Assembly considered the hospital component of the Medicaid program and determined that a total reduction of payments to hospitals participating in the Virginia Medicaid Program in the amount of \$8,935,825 and \$9,227,815 total funds for the respective state fiscal years of 2003 and 2004 was necessary. Consequently, DMAS was directed, in the *2002 Acts of Assembly, Item 325 KK* to reduce inpatient hospital payments to achieve the stated savings. DMAS complied with this mandate by amending 12 VAC 30-70-201, of the hospital reimbursement system.

The statutory mandate provided for the adjustment of the agency's percentage calculation based on its budget forecast. With the examination the 2004 Medicaid reimbursement estimates, DMAS has determined that the percentages incorporated into the regulations to be effective for 2004 will result in recoveries that will exceed the statutorily permitted maximum. Therefore, DMAS must modify its percentages to avoid exceeding the specified maximum.

### Family Impact Statement

*Please provide an analysis of the regulatory action that assesses the impact on the institution of the family and family stability including the extent to which the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one's spouse, and one's children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.*

This final exempt regulatory action will not have any direct impact on the institution of the family and the stability of the family. It will not strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; it will not encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one's spouse, or one's children and/or elderly parents; nor will it strengthen or erode the marital commitment.